APPENDIX No. VII.

EXPLANATORY MEMORANDUM BY THE FINANCIAL SECRETARY ON THE BUDGET ESTIMATES, 1933-34.

INTRODUCTORY REMARKS.

The published estimates contain four sets of figures in parallel columns, *viz.*, the audited accounts of the last financial year (1931-32), the Budget and the Revised estimates of the current year and the Budget estimates of the ensuing year.

2. Broadly speaking, the Budget is a cash document. The transactions included in the estimates and accounts represent mainly the actual cash receipts and disbursements during the financial year—July to June—as distinguished from amounts due by or to Government during the same period. The practical advantage of this system is that it keeps the financial record of the year on a basis of realised facts.

3. The transactions are classified under the following main divisions :—

(*a*) Revenue.	(*c*) Debt.
(*b*) Capital.	(*d*) Remittance.

The first division deals with the proceeds of taxation and non-tax revenues, as well as the expenditure chargeable to them. The net result represents the surplus or deficit in the year's revenue account.

The second division deals with outlay incurred in building up productive assets, *i.e.*, properties of a remunerative character which are usually financed from one or more of the following sources :—

(i) Borrowed Funds.

(ii) Contributions and receipts of a capital nature intended to be applied to Capital expenditure.

(iii) Revenue Surpluses.

The third division comprises debt incomings and outgoings such as deposits, loans and advances, receipts from which represent a liability and payments, and asset, Government acting practically as bankers in respect of these transactions.

The fourth and last division embraces the adjusting heads, under which appear all cash remittances from one treasury or bank to another, besides those which are necessitated by the system of exchange accounts in force among departments of Government, and between the Government of Mysore and the Government of India.

4. In each of the four divisions mentioned above, the transactions are grouped into sections which are further sub-divided into major, minor and detailed heads of account.

5. The accounts under the several divisions are worked from balance to balance. These balances are merged in the general cash balance of the State, some portion of which is kept in the State Treasuries, while the rest is deposited with the Government Bankers in India and in London.

6. In this memorandum, endeavour is made to explain the salient features of the transactions under the first two divisions, *viz.*, Revenue and Capital, the expenditure grants under which, with some reservations, are subject to the vote of Legislature, and brief references wherever necessary are made to the others.

7. It is necessary to state that a study of the Budget alone will give neither a clear nor a correct idea of the financial position of the State as a whole. To supplement the information contained in the Budget, a statement is furnished indicating in a general way the position of the State's Assets and Liabilities in the several years, the transactions of which are comprised in the published estimates.

8. Prior to dealing with the Budget estimates of 1933-34 which is the main theme for discussion, the closed accounts of the financial year 1931-32 and the anticipated results of the current year on the basis of latest actuals and the other information so far available will, as usual, be briefly reviewed.

Accounts, 1931-32.

9. *Comparison of the actuals of 1931-32 with the original and revised budgets of that year.*—The budget of 1931-32, which was framed on the expectation that there would be a gradual revival in the prices of agricultural products and at least partial restoration of general economic conditions, counted on a revenue collection of Rs. 378·76 lakhs and the expenditure charged to Revenue was estimated at Rs. 376·84 lakhs, leaving a surplus of Rs. 1·92 lakhs. As explained in para 19 of the last year's Memorandum, it was noticed in the early part of the year itself that the revenues anticipated in the budget were too sanguine and would show a

deficiency of about Rs. 30 lakhs and further emergent measures of economy were therefore adopted.

10. In the Revised estimate of the year prepared in June last, the revenue and expenditure were taken at Rs. 348·83 lakhs and Rs. 367·40 lakhs respectively, resulting in a deficit of Rs. 18·57 lakhs. While finally closing the accounts, it was found that there was some improvement in the actuals over the revised both on the Revenue and Expenditure sides. As compared with the Budget, the actual Revenue was less by Rs. 24·45 lakhs as against a fall of Rs. 30·94 lakhs anticipated in the Revised and the actual expenditure was less by Rs. 12·89 lakhs.

11. The following statement gives the actuals of the year 1931-32 as compared with the Budget and Revised of that year and the Actuals of the previous year 1930-31 :—

[In lakhs of rupees]

Heads	Budget 1931-32	Budget 1931-32 with the modifications referred to in para 12	Revised 1931-32	Revised 1931-32 with the modifications referred to in para 12	Actuals 1931-32	Actuals 1930-31
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	378·76	361·92	348·83	330·98	337·47	332·35
Expenditure	376·84	372·23	367·40	362·79	359·34	397·89
Deduct—Expenditure met from Reserves	...	3·30	...	3·30	3·30	3·60
Total expenditure charged to Revenue	376·84	368·93	367·40	359·49	356·04	394·29
Surplus (+)	+1·92	...	...	...	...	...
Deficit (—)	....	—7·01	—18·57	—28·51	—18·57	—61·94

12. In this connection, it has to be stated that contributions to certain Depreciation Funds which were being made up to the year 1930-31 were not provided for in the Budgets for 1931-32 and 1932-33, on account of the heavy decline in Revenue. It was subsequently considered necessary to make the usual provision to these Depreciation Funds and rearrange certain items

of Revenue and Expenditure so as not to inflate Receipts. These measures in brief are as follows:—

[In lakhs of rupees

	Budget 1931-32.	Revised 1931-32.	Budget 1932-33.
(1) Adjustment of contributions to the following Depreciation Funds.			
(i) Railways.—(Usual contribution 5 lakhs less contribution made 3·50 lakhs) ... 1·50			
(ii) Electrical .. 6·50	8·93	8·93	8·93
(iii) Sandal Oil Factory ... ·50			
(iv) K G. F. Water Works ... ·43			
Total ... 8·93			
(2) Excess receipts under Record of Rights Scheme provided under Land Revenue transferred to a Deposit Head for being utilised for expenditure during subsequent years	...	1·01	4 10
(3) Interest on Famine Insurance Fund investments hitherto credited under the Revenue head 'IX Interest' now transferred to the expenditure side under the deduct head "Expenditure met from Reserves"	3·30	3·30	3·30
(4) Contribution from His Highness the Maharaja's Privy purse and from Members of the Ruling Family in aid of State's finances transferred from the Revenue Head "XIII Miscellaneous" to the Expenditure side as reduction of expenditure under '11 Palace' ...	...	..	
	2·31	2·31	1·31
(5) Share of Petrol Tax. Transferred from the Revenue head 'XIX. A. Communications' to the Fund head "Road Fund" for being utilised for expenditure under "24. A. Communications." (Drawings therefrom shown under Deduct expenditure met from 'Reserves')	2·30	2·30	2·00
Total ..	16·84	17·85	19·64

Only items (1) and (2) have the effect of raising the deficit in the Revenue Account while the other items represent mere Account adjustments and do not affect the actual financial position.

In comparing the Budget of the year 1931-32 with the Accounts of the year and the Budget of the year 1932-33 with the revised and future budgets, these changes have to be kept in view.

Revenue.

13. The actual revenue realised during the year showed a falling off of Rs. 24·45 lakhs as compared with the Budget anticipations.

The noticeable increases and decreases of revenue excluding the differences due to account adjustments referred to in para 12 are explained in the following table :—

[In lakhs of rupees.

Heads	Increase	Decrease	Explanations
Land Revenue ...	1·61	...	Arrear collections.
Sandal Oil ...	...	13·14	Due to the fall in the sale of oil.
Forest ...	...	2·79	Dullness of the timber market.
Excise ...	...	7·13	Decreases appear under the heads Arrack duty, Arrack shop rent and Toddy shop rent.
Mining Revenue ...	1·12	..	Increase in the price of gold.
Interest ...	1·92	...	Due to more securities purchased, interest realised on the loan issued to Sri Krishnarajendra Mills, etc.
Railways ...	...	7·00	General trade depression and competition of bus traffic.
K. R. S.—Irrigation Works.	...	1·12	Adjustment of excess transfers from Land Revenue effected in previous years, etc.
Iron Works ...	...	1·80	Losses.
Other heads (Net) ..	3·88	...	.....
Total ...	8·53	32·98	

14. The Accounts show an improvement of Rs. 6·49 lakhs over the Revised Estimates, the improvement appearing under almost all heads except Sandal Oil where there was a decrease of Rs. 2·54 lakhs.

Expenditure.

15. As compared with the Budget Estimates, the actual expenditure was less by Rs. 12·89 lakhs mostly due to further measures adopted to reduce expenditure (such as general reduction in Salaries, abolition of Duty and other Allowances, reduction in Fixed Travelling Allowance, etc.,) as detailed in Para 19 of the last year's Memorandum.

There was increase of expenditure under the following heads :—

Heads	Increase in lakhs	Remarks
	Rs.	
12. General Administration.	·46	Increased expenditure under Palace Electric Lighting and works and repairs, tour charges of H. H. the Maharaja and Round Table Conference expenses.
15. Pensions and Allowances.	·74	Large number of retirements and increase under Compassionate Gratuities.
17. Miscellaneous.	·11	Increase under "Irrecoverable Loans written off," Guarantee to Post and Telegraph Offices in the State and Miscellaneous.
24A. Communications.	46	Due to Pro-rata Establishment charges in respect of additional grant sanctioned for Special repairs.

16. As compared with the Revised also, the actuals show an improvement of Rs. 3·45 lakhs due mainly to decreases in expenditure under Education and P. W. D. buildings.

17. On the whole, the actuals show an improvement over the Budget so far as Expenditure is concerned though the Revenue was very much less.

18. *Comparison of actuals of 1931-32 with those of previous years.*—The actuals of Revenue and Expenditure, excluding Capital, Debt and Remittance transactions of the year 1931-32 and of five previous years are set forth below.

[In lakhs of rupees.

	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32
Revenue ..	338·69	360·81	374·58	375·41	332·35	337·47
Expenditure ...	354·62	368·39	382·25	390·10	397·89	359·34
Deduct—Expenditure met from reserves.	7·22	7·99	8·23	14·75	3·60	3·30
Expenditure charged to Revenue.	347·40	360·40	374·02	375·35	394·29	356·04
Surplus or Deficit. + —	—8·71	+·41	+·56	+·06	—61·94	—18·57

From the above statement, it will be clear that the Revenue showed an increase till the end of 1929-30 and there was heavy decline during 1930-31 but slight improvement during 1931-32. The expenditure also was on the increase till the end of 1930-31 but the expenditure during 1931-32 was nearly Rs. 40 lakhs less than that of the previous year.

Capital outlay.

19. The expenditure on capital works was Rs. 65·51 lakhs and was less than the Budget by Rs. 20·11 lakhs as detailed below :—

[In lakhs of rupees.

		Budget	Actuals	Difference
37.	Railways and Tramways...	12·00	11·89	—·11
38	K. R. S. Hydro-Electric and Irrigation Works.	34·15	28·26	—5·89
39.	Industrial and other works.	28·47	23·37	—5·10
40.	Iron Works ...	11·00	1·99	—9·01
	Total ...	85·62	65·51	—20·11

There is a lapse under every head as a result of the policy adopted for restricting expenditure. There was a net credit of Rs. 2·90 lakhs under Electrical Works "Stock and Suspense" against the nil provision in the Budget Estimates. The lapse under "New Bangalore Water Works" was Rs. 6·72 lakhs. The provision of Rs. 10 lakhs made under Iron Works for steel manufacture was not utilised.

Ways and Means.

20. The treasury operations of the year were better than the budget anticipation mainly due to the improvement in the net incomings under Debt Heads as compared with the Budget and decrease in the Capital expenditure.

Against the estimated closing balance of Rs. 57·19 lakhs, the actual balance at the end of the year in Treasuries and Banks was Rs. 83·05 lakhs besides Rs. 23·63 lakhs invested in Treasury Bills and short term Deposits.

The seven per cent loan was discharged during the year out of the receipts from investments reserved for the purpose.

21. Additional details regarding the actuals of 1931-32 will be found in the published Audit and Appropriation Report of the year.

REVISED ESTIMATES, 1932-33.

22. The financial position of the current year will now be reviewed in the light of information so far available.

The budget of the current year framed in June last counted on a revenue collection of Rs. 352·72 lakhs and provided for a revenue outlay of Rs. 362·60 lakhs resulting in a deficit of Rs. 9·88 lakhs. If the contributions to certain Depreciation Funds which had not been provided for in the Budget for 1932-33 and the account adjustments referred to in para 12 *supra* are taken into account, the total Revenue, Expenditure and Deficit as per Budget for 1932-33 will work up to Rs. 333·08, Rs. 355·99 and Rs. 22·91 lakhs respectively. According to the Revised Estimate, these figures stand at Rs. 333·16 lakhs, Rs. 354·19 lakhs and Rs. 21·03 lakhs respectively. The total Revenue is almost the same as that of the Budget (modified). There has been an improvement of Rs. 1·80 lakhs on the expenditure side and this accounts for the reduction of the amount of deficit from Rs. 22·91 lakhs to Rs. 21·03 lakhs.

Revenue.

23. All the ordinary heads of Revenue have come up to expectations, excepting Sandal Oil Revenue, and M. & S. M. Railway receipts and receipts from K. R. S. Irrigation Works, which show a fall.

The Sandal Oil sales, particularly in the overseas market, have dropped considerably on account of trade depression, etc., and there is a decrease of Rs. 9·66 lakhs in the gross receipts from the sale of Sandal Oil.

The fall under XXIV Railways is due to the decrease in Gross Receipts (Rs. 1·74 lakhs) and increase in working expenses (Rs. 2·58 lakhs) in respect of lines worked by the M. & S. M. Railway Company.

The operations of the Iron Works during the current year are expected to result in a loss of Rs. two lakhs as against a loss of Rs. ·84 lakh estimated in the Budget, as the depression in the market for the products of the Iron Works continues and the blast furnace was blown out for relining and was out of action for about 2½ months.

The decreases in Revenue referred to above are counterbalanced by increases under VIII Mining Revenue, IX Interest, XIII Miscellaneous, XIX-A Communications and XXV K. R. S. Hydro-Electric Works.

24. A statement showing the large variations between the Budget and Revised under the several heads is appended :—

[In lakhs of rupees.

Heads	Budget 1932–33	Budget 1932-33 with the modifications referred to in para 12	Revised 1932–33	Increase + Decrease —	Remarks
	Rs.	Rs.	Rs.	Rs.	
1. Land Revenue.	128·42	124·32	124·96	+·64	Reduction under refunds + ·20 Reduction in the amount transferred to K. R. S. + ·34 Increase in Miscellaneous revenue. + ·10
II. Forest					
Sandal Oil ..	16·97	16·47	9·33	−7·14	Decrease in sales of oil
Other Forest Revenue.	13·52	13·52	12·99	—·53	Fall in receipts mainly under other minor produce.
III. Excise ...	54·87	54·87	55·18	+·31	Toddy . + ·46 Ganja and Majum + ·47 Other receipts + ·29 Arrack, etc. — ·91
V. Stamps ...	19·09	19·09	19·96	+·87	General and Court Fee Stamps, etc., heads + 1·39 Refunds Special + ·52
VI. Registration.	2·80	2·80	3·04	+·24	Larger receipts expected.
VII. Assigned ... Tract Revenue.	1·90	1·90	2·69	+·79	Based on actuals.
VIII. Mining Revenue.	10·50	10·50	14·41	+3·91	Due to increase in the price of gold.
IX. Interest ..	13·64	10·34	12·50	+2·16	Interest on additional investment in Government of India Securities, etc. + 1·28 Interest on arrears of revenue, etc. + ·14 Arrear interest and interest on loan given to Sri Krishnarajendra Mills + ·74
XIII. Miscellaneous.	3·65	2·34	5·64	+3·30	Gain on sale of securities + 2·21 Amount received from the Government of India towards our share of reparation payments due from Germany + ·99 Betting tax Revenue — ·35 Sale of lands, houses, etc. + ·45

[In lakhs of rupees.

Heads	Budget 1932–33	Budget 1932–33 with the modifications referred to in para 12	Revised 1932–33	Increase + Decrease —	Remarks
	Rs.	Rs.	Rs	Rs.	
XVI. Police ...	·09	·09	·16	+ ·07	Cost of Police Staff lent to Municipalities and temples.
XVII. Medical ...	·59	·59	·71	+ ·12	Levy of fees for X-Ray work and revision of rates of fees in Tuberculosis Sanitorium.
XIX. Civil Works.	·91	·91	1·06	+ ·15	Increase under rents of buildings, sale of old materials and miscellaneous.
XIX-A. Communications.	6·29	4·29	5·70	+1·41	Larger receipts under Tolls and Motor license fees.
XXII. Industries and Commerce.	·18	·18	·27	+ ·09	Increase under fees for registration of companies and under Miscellaneous receipts.
XXIV. Railways	21·52	20·02	15·67	—4·35	Decrease in Gross receipts and increase in working expenses in respect of lines worked by the M. & S. M., Railway Company.
XXV. K. R. .S, Hydro Electric & Irrigation Works.	38·76	32·26	31·43	—·83	Hydro-Electric Works Power +1·20 Increase in working expenses — ·17 K. R. S. Irrigation Works Amount transferred from Land Revenue — ·34 Less use of water in Irwin Canal Area — 1·52
XXVII. Iron Works.	—·84	—·84	—2·00	—1·16	Loss is likely to amount to Rs. 2 lakhs as against Rs. ·84 lakh provided in the Budget.
XXVIII. K. G. F. Water Works.	1·30	·87	·93	+ ·06	
Other heads ...	18·56	18·56	18·53	—·03	
Total ...	352·72	333·08	333·16	+14·12 —14·04	
Net increase ...	...	...	...	·08	

Expenditure.

25. The total expenditure charged to Revenue for which provision was made in the Budget amounted to Rs. 362·60 lakhs. According to the Revised estimate, the expenditure is likely to stand at Rs. 354·19 lakhs. Excluding the Account adjustments referred to in para 12 (aggregating Rs. 6·61 lakhs) the Revised will show an improvement of Rs. 1·80 lakhs over the Budget.

The emergency reduction in Salaries, the restrictions regarding the filling up of the vacancies, the reduction of Fixed Travelling Allowance and other measures adopted during 1931-32 for bringing about economy were continued during the year, and a strict control exercised over expenditure with the result that there has been general reduction of expenditure under almost all the heads. The exigencies of administration required, however, certain necessary and urgent new items of expenditure to be sanctioned. For meeting them, extra grants had to be given by the Legislative Council under Voted heads and by Government under Non-voted heads. A list of additional grants already sanctioned or to be sanctioned during the current year is given in Annexure III.

26. A sum of Rs. 5·30 lakhs was received from the Government of India towards our share of the Petrol tax against Rs. 2 lakhs taken into account in the Budget and the whole of the extra amount received has been allotted for special repairs to certain roads.

27. The subjoined statement shows the large variations in the Revised under the several heads as compared with the Budget.

[In lakhs of rupees.

Heads	Budget 1932-33	Revised 1932-33	Increase	Decrease	Remarks
	Rs.	Rs.	Rs.	Rs.	
1. Land Revenue.	27·54	26·92	...	·62	Due to vacancies not filled up and less expenditure under Travelling Allowance and Contingencies.
2. Forest ...	12·15	11·74	...	·41	Savings under establishment and travelling allowance and also under conservancy and works.
3. Excise ...	4·04	3·83	...	·21	Under Taluk establishment and fixed Travelling Allowance charges.
9. Interest on debt and other obligations.	51·06	52·27	1·21	...	Due to large amount of seven year fixed deposits received and to payment of arrears.
11. Palace ...	26·10	24·79	...	1·31	Contribution from His Highness' privy purse and Members of the Ruling Family transferred from the Revenue Head XIII Miscellaneous

[In lakhs of rupees.

Heads	Budget 1932-33	Revised 1932-33	Increase	Decrease	Remarks
	Rs.	Rs.	Rs.	Rs.	
12. General Administration.	13·04	13·46	·42	...	Due to Round Table Conference expenditure (·32) and Electrical Works and Lighting of the Palace (·10), etc.
15. Pensions and Allowances.	18·82	19·52	·70	...	Large number of retirements.
17. Miscellaneous.	·81	1·28	·47	...	Loss on sterling remittances and expenditure on establishment for testing weights and measures and irrecoverable loans written off.
20. Police ...	18·29	18·00	...	·29	The saving appears under Police force due to vacancies not filled up, etc.,
21. Medical ...	11·81	11·36	...	·45	Less expenditure in Hospitals and Dispensaries.
22. Public Health.	2·07	2·32	·25	...	Additional grant under "Plague and other epidemic charges."
23. Irrigation, Works charged to Revenue.	12·50	11·80	...	·70	Less expenditure under Original Works Minor, Restoration of Minor Tanks and Repairs.
24. A. Communications.	11·50	14·78	3·28	...	Extra grant from the Petrol tax revenue.
26. Education ...	48·80	48·23	...	·57	Decreases under Middle Schools, Special Communities Education, Scholarships, etc., and to arrear contributions realised.
27. Agriculture . .	10·51	9·82	...	·69	Agricultural Department ... —·16 Botanical and other Public Gardens ... ... —·10 Veterinary charges ... —·44 Other Departments ... +·01 Total ... ·69
30. Grants for public improvements.	3·71	3·36	...	·35	Less expenditure anticipated under 'Tube wells.'
31. Army ...	14·11	13·63	...	·48	Decreases under feed and keep of horses and equipment charges and savings on account of vacancies not filled up.
Deduct expenditure met from Reserves	...	8·31	8·31	...	Interest on Famine Insurance Fund Investments transferred from the Revenue head :— JX Interest .. 3·01 Drawing from the Petrol tax Revenue ... 5·30 Total ... 8·31
Other heads ...	75·74	75·39	...	·35	
Total ..	362·60	354·19	—1·98	6·43	
Net decrease ..	...	...	—8·41		

Capital outlay.

28. The Capital works programme in the Budget provided for an outlay of Rs. 38·74 lakhs and according to the revised calculations, the expenditure is likely to come up to Rs. 50·96 lakhs as detailed below, the large increase being mostly due to additional grants sanctioned for the New Bangalore Water Works and Electrical Works.

[In lakhs of rupees.

		Budget.	Revised.
37	Railways and Tramways ...	10·75	9·80
38	K. R. S. Hydro-Electric Works ...	7·00	11·32
	Irrigation Works ...	14·00	14·00
39	Industrial and other works ...	5·99	14·84
40	Iron Works ...	1·00	1·00
	Total ..	38·74	50·96

The provision made in the current year's budget for the New Bangalore Water Works was Rs. 5·00 lakhs. The total outlay on the New Bangalore Water Works to end of June 1932 amounted to Rs. 39·25 lakhs against the estimate of Rs. 50·33 lakhs providing for the final stage of the works including the construction of a waste weir. As it was considered necessary and economical to construct the dam once for all to the full width required for the second stage instead of putting it off as originally contemplated, an additional grant of Rs. 8·27 lakhs was sanctioned (which included Rs. three lakhs representing the unspent grant of last year re-allotted). The works have almost been completed and water supply to the Bangalore City, and Civil & Military Station was commenced from 15th March 1933.

An additional grant of Rs. 3·91 lakhs was sanctioned for the Electrical Department works to provide for the net debit to 'Stores' appearing in the Stores estimates submitted by the Chief Electrical Engineer after the General Budget Estimates were sanctioned by Government.

An additional grant of Rs. 48,000 was sanctioned to the Mysore Silk Weaving Factory for putting up ten additional looms and some machinery.

Ways and Means.

29. Though prices and general trade and industrial conditions have not shown decided improvement, the rates of interest on money and the price of Government Securities have fallen since November 1932, and Banks have generally reduced rates of interest allowed on deposits. In sympathy with such reduction,

the following measures were adopted to reduce the interest payable by Government :—

(1) Suspension of the scheme of accepting Seven-year Fixed Deposits in the Government Savings Banks carrying interest at 5½ per cent per annum in November 1932;

(2) Reduction in the rate of interest on Five-year Fixed Deposits from 5 to 4½ per cent per annum in respect of deposits accepted after 20th January 1933;

(3) Reduction in the rate of interest on full year deposits in the Savings Banks from 4½ to 4 per cent per annum from 1st January 1933;

(4) Abolition from 1st July 1933 of the special rate of interest of 4 per cent on full year Savings Bank deposits;

(5) Reduction in the rate of interest on Provident Fund balances from 5 to 4½ per cent per annum with effect from 1st December 1933.

These measures will result in a reduction in the interest charges in the coming and subsequent years.

The question of floating a long term conversion loan at lower rates of interest is under consideration and the loan will, if successful, also have the effect of a substantial reduction in Interest and Sinking fund charges.

30. The Opening Cash Balance in Treasuries and Banks on 1st July 1932 was Rs. 83·05 lakhs. According to the Revised estimate of the current year, the closing balance is expected to stand at Rs. 85·94 lakhs against the budget anticipation of Rs. 75·64 lakhs.

31. Sixty per cent of the shares floated by the New Sugar Company at Mandya (Rs. 12 lakhs) have been taken up by Government and a sum of Rs. 4·8 lakhs has so far been paid and shown in the accounts under investments, and a further call of Rs. 2·4 lakhs is expected to be paid before the close of the year.

Budget Estimates, 1933-34.

32. The Budget for next year anticipates a revenue collection of Rs. 343·63 lakhs and provides for a revenue outlay of Rs. 367·09 lakhs, and a drawing from Reserve Funds of Rs. 5·01 lakhs resulting in a deficit of Rs. 18·45 lakhs in the revenue account.

Revenue.

33. Under all ordinary heads, the Revenue estimates for the next year generally follow the revised and large increases

appear under VII Assigned Tract Revenue, IX Interest and XXX Sri Chamarajendra Water Works, while the figures under II Forest—Sandal Oil and XIII Miscellaneous show a decrease.

A comparative statement of estimated revenue receipts of next year with reference to the revised anticipations of the current year is given below:—

[In lakhs of rupees.

Group Heads	Revised 1932-33	Budget 1933-34	Increase	Decrease
	Rs.	Rs.	Rs.	Rs.
I Land Revenue ...	124·96	124·46	...	·50
II Forest-Sandal Oil ...	9·33	8·08	..	1·25
do other Forest revenue.	12·99	13·97	·98	...
III Excise ...	55·18	56·59	1·41	...
IV Income-tax ...	12·46	12·78	·32	..
V Stamps ...	19·96	20·35	·39	...
VI Registration ...	3·04	3·00	...	·04
VII Assigned Tract Revenue	2·69	4·22	1·53	...
VIII Mining Revenue ...	14·41	14·50	·09	...
IX Interest ...	12·50	18·92	6·42	...
X to XIII Civil Administration ...	6·57	3·13	...	3·44
XIV to XVIII Protection ...	1·70	1·68	..	·02
XIX to XIXA and Public Works ...	6·76	6·63	...	·13
XX to XXII Moral and Material Development.	2·82	2·83	·01	..
XXIII Army and Defence ...	·68	·65	...	·03
XXIV Railways—Revenue Account—Net receipts.	15·67	16·74	1·07	..
XXV K. R. S. Hydro-Electric and Irrigation Works—Net Receipts.	31·43	32·62	1·19	..
XXVII to XXIX Industrial and other works.—Revenue Account (Net)	·01	·98	·97	..
XXX Sri Chamarajendra Water Works. Net Receipts	...	1·50	1·50	..
Total ..	333·16	343·63	15·88	5·41
Net Increase		10·47 lakhs.		

I. Land Revenue.

The Gross revenue is estimated at 87·85 per cent of the total demand including opening balance against 87·16 in the Revised. The decrease in the collections is due to the fact that according to the departmental estimates, there would be a reduction of Rs. 2·13 lakhs in the opening balance.

II. Forest.

The position of the Sandal Oil sales, especially in the overseas market, is uncertain. The estimate of gross receipts is proposed on the expectation of a total sale of 1,60,150 lbs. of oil during the next year.

All possible measures are being adopted to improve the sales organization and adjust the prices in the different markets with reference to the demand.

An increase of rupees one lakh is anticipated under "Other Forest Revenue" on account of the sale of Balgi poles to the Electrical Department and sleepers to the Railway Department and the profit in respect of the Creosoting plant operations which is proposed to be retained under the Revenue head itself instead of being transferred to a Reserve account.

III. Excise.

The result of the sales of excise privileges for the next year shows that the rentals realised have exceeded the level of the current year by about one and a half lakh of rupees. An increase of Rs. ·22 lakhs is expected under Ganja Duty due to the increase of the rate of duty from Rs. 25 to Rs. 27-8-0 per seer with effect from 1st July 1933. On these grounds, the Budget is placed at Rs. 56·59 lakhs as against Rs. 55·18 lakhs in the Revised.

IV. Income Tax.

The Budget generally follows the revised. The increase is due to the reduced provision under "Refunds."

V. Stamps.

The increase is due to the fact that the revised includes a special adjustment of Rs. ·52 lakhs under Refunds on account of Record of Rights fees received in the shape of Stamps in previous years.

VII. Assigned Tract Revenue.

According to the esimates received from the Residency, a sum of Rs. 4·22 lakhs is provided against Rs. 2·69 lakhs received during the current year.

VIII. Mining Revenue.

The provision is fixed on the basis of the present price of gold.

IX. Interest.

The increase of Rs. 6·42 lakhs over the Revised is due to (1) anticipated increase in the interest on Investments and

(2) the credit to this head of Rs. 5.94 lakhs being the interest on the Loan Sinking Fund Investments. Hitherto, the interest earned on the investments of the Loan Sinking Fund was being added on to the Fund itself in addition to the annual contribution from Revenue of Rs. 18·78 lakhs. A large Conversion Loan operation is under consideration with a view both to reduce the interest charge and to ease the burden on the annual Revenue account for contributing to the Loan Sinking Fund by replacing the present debts by a long term loan. In view of this possibility of reducing the annual additions to the Sinking Fund, the interest on the Sinking Fund investments has been taken under the Revenue head " IX Interest."

Civil Administration.

The decrease is due to the absence of the special receipts received and credited under " XIII—Miscellaneous " during the current year (Gain on sale of Securities Rs. 2·21 lakhs and amount received from the Government of India towards our share of Reparation payments due from Germany Rs. ·99 lakhs).

XXIV. Railways.

The following statement shows the Gross Receipts, Working Expenses and Net Receipts of the Railways worked by the M. & S. M. Railway and by Government separately.

[In lakhs of rupees

		Railways worked by M. & S. M. Ry.	Railways worked by Government	Total
Gross Receipts.				
Accounts	1931–32	43·05	30·20	73·25
Budget	1932–33	45·11	32·50	77·61
Revised	1932–33	43·37	33·00	76·37
Budget	1933–34	43·80	34·00	77·80
Working Expenses, etc.				
Accounts	1931–32	30·75	26·78	57·53
Budget	1932–33	30·84	25·25	56·09
Revised	1932–33	33·23	27·47	60·70
Budget	1933–34	33·23	27·83	61·06
Net Receipts.				
Accounts	1931–32	12·30	3·42	15·72
Budget	1932–33	14·27	7·25	21·52
Revised	1932–33	10·14	5·53	15·67
Budget	1933–34	10·57	6·17	16·74

As already explained in para 23 *supra*, there is decrease in the Revised Estimate under "Net Receipts" of lines worked by the M. & S. M. Railway, and the apparent decrease under "Railways worked by Government" is due to increased amount taken as contribution to the Depreciation Fund.

XXV. K. R. S. Hydro-Electric and Irrigation Works.

The subjoined table shows the figures under the several heads:—

[In lakhs of rupees.

	Accounts 1931–32	Budget 1932–33	Revised 1932–33	Budget 1933–34
1. Electric Works (*a*) Power.				
Gross Receipts ...	50·33	49·35	50·55	51·79
Deduct.—Working Expenses.	10·84	10·98	11·20	11·44
Depreciation Fund Contribution.	6·50	...	6·50	6·50
Provident Fund Contribution.	·44	·48	·45	·35
Net Receipts ...	32·55	37·89	32·40	33·50
(*b*) Telephones.				
Gross Receipts ...	·33	·33	·33	·33
Working Expenses ...	·16	·15	·14	·16
Net Receipts ...	·17	·18	·19	·17
Total (1) Gross receipts ...	50·66	49·68	50·88	52·12
Working Expenses.	17·94	11·61	18·29	18·45
Net Receipts ...	32·72	38·07	32·59	33·67
2. Irrigation Works.				
Gross receipts ...	·02	1·64	·12	·62
Add amount transferred from Land Revenue.	·25	1·64	1·30	1·30
Deduct Working Expenses ...	1·52	2·59	2·58	2·97
(2) Net Receipts ...	—1·25	+·69	—1·16	—1·05
Grand Total of Net Receipts.	31·47	38·76	31·43	32·62

The increase of Rs. 1 lakh appears under (1) Electrical works (i) Power, and is mainly due to (1) the increase in the power expected to be taken by the Sri Chamarajendra Water Works, Thippagondanahalli and (2) the increased revenue anticipated from the Krishnarajasagara Irrigation works, etc.

XXVII. Iron Works.

There has been no improvement in the market conditions and the prices obtained for products continue to be very low. It is difficult to forecast how soon there will be an improvement. Valuing the estimated production at the rates now obtained for the products, and assuming that the furnace which is now relined will be in operation throughout the year without interruption, the operations in 1933-34, are expected to result in a loss of Rs. 1·09 lakh, against two lakhs anticipated in the current year.

XXIX. Industrial Works.

The anticipated financial result of the operations of the several concerns is given below :—

[In lakhs of rupees.

	Budget 1932-33	Revised 1932-33	Budget 1933-34
Soap Factory	+1·00	+1·14	+1·11
Weaving Factory	..	—·03	...
Industrial Depot.	...	—·04	...
Porcelain Factory	+·05	+·03	+·05
Mysore Silk Weaving Factory ...	...	—·02	...
Total ...	1·05	1·08	1·16

The Revised for 1932-33 provides for the adjustment of the further losses sustained in the disposal of the Revenue Assets of (1) the Weaving Factory which ceased manufacturing operations from November 1930 and (2) the Industrial Depot which has ceased to exist separately.

The Revenue account of the Silk Weaving Factory has to meet a heavy expenditure of Rs. 21,720 and Rs. 18,950 during 1932-33 and 1933-34 respectively on account of the employment

of two European Experts. If this item is excluded, a profit will result and this special charge will cease from November next with the termination of their services.

XXX. Sri Chamarajendra Water Works.

The Revenue transactions of the New Bangalore Water Works (now called the Sri Chamarajendra Water Works) Thippagondanahally as well as those of the existing Water Works hitherto shown under '24 Civil Works' have been shown under a separate Revenue head in the next year's Budget.

Expenditure.

34. The expenditure programme of next year provides for a total outlay of Rs. 367·09 lakhs as against Rs. 362·50 lakhs in the Revised and for meeting from Reserve funds Rs. 5·01 lakhs, as against Rs. 8·31 lakhs in the Revised. In framing the expenditure estimates, the need for economy has been kept in view and only the items of expenditure found to be absolutely necessary have been allowed. It has been taken that the emergency salary cut will be continued as heretofore in the case of officers drawing salaries of over Rs. 100 and will be reduced from 5 to 2½ per cent in the case of those whose salaries are between Rs. 40 and Rs. 100. The extra amount that is payable on account of this partial restoration of salary cut is about Rs. 80,000. Under Establishment charges, there is generally some increase in the provision made in the Budget over the Revised under several heads due to the former being based on the full sanctioned scale while the latter shows savings due to the non-filling of vacancies, etc., under the Economy order.

35. A statement showing large variations in the Budget as compared with the Revised is given below.—

[In lakhs of rupees.

Heads	Revised 1932-33	Budget 1933-34	Increase	Decrease	Remarks
1. Land Revenue	26·92	27·52	·60	...	Provision made according to the full sanctioned scale and partial restoration of salary cut.
2. Forest ...	11·74	11·55	...	·19	Decrease under Conservancy and Works—
9. Interest ...	52·27	53·31	1·04	...	Savings Bank Fixed Deposits ... +2·17 Insurance Fund ... ... +·63 Savings Bank Current Deposits ... —1·73 Other Heads ... ... —·03

[In lakhs of rupees.

Heads	Revised 1932-33	Budget 1933-34	Increase	Decrease	Remarks
12. General Administration.	13·46	13·87	·41	...	Special provision for expenditure connected with the Joint Parliamentary Committee. ·35
.....	...	...	...	...	Extra provision for the Palace Electrical Works and repairs, etc. ·06
15. Pensions ...	19·52	20·90	1·38	...	Increase in the Pension payments.
16. Stationery and Printing.	2·05	2·60	·55	...	Enhanced provision for purchase of printing paper and stationery and types and materials and for the purchase of machinery.
17. Miscellaneous...	1·28	·98	...	·30	Omission of the special provision made in the Revised for writes off, etc , and less provision for 'loss on sterling remittances.
18. Courts of Law	10·27	10·50	·23	...	Provision based on sanctioned scale.
19. Jails ...	1·15	1·00	...	·15	Conversion of the Mysore Jail into a Sub-Jail.
20. Police ...	18·00	18·63	·63	...	Extra provision for Travelling Allowance to Establishment, purchase of rifles, ammunition, etc.
21. Medical ...	11·36	11·86	·50	...	Fixed on the basis of the provision in the current year's budget.
22. Public Health.	2·32	2·41	·09	...	Omission of the contribution from Rockefeller Foundation, etc., and inclusion of provision for two Fellowships.
23. Irrigation ...	11·80	11·95	·15	...	Enhanced grant for new Channel Works.
24. Civil Works ...	6·11	6·86	·75	...	Includes a special grant of Rs. 50,000 for police buildings.
24A. Communications.	14·78	10·14	...	4·64	Less expenditure due to the decrease in the Petrol tax Revenue as compared with the Revised 3·30. Less provision under establishment transferred from '24. Civil Works,' etc., 1·34.
26. Education ...	48·23	49·36	1·13	...	Increased provision under Grants to Buildings, partial restoration of salary cut, provision for the full sanctioned scale under Establishment, Scholarships, etc.
27. Agriculture ...	9·82	10·09	·27	...	Agricultural Department ... +·13 Gardens ... ... +·10 Miscellaneous ... ... +·04 (Provision based on sanctions.)
30. Grants for Public Improvements.	3·36	3·64	·28	...	Grant under "Tube wells" ... +·19 Malnad Improvement ... +·05 Improvement of towns and minor Municipalities. +·04 Total ... +·28
31. Army ...	13·63	15·31	1·68	...	Enhanced grant for Buildings ... +·71 Purchase of remounts ... +·22 Organisation of two Platoons ... +·25 Motor Lorry ... ... +·07 Enhanced provision for feed and keep of horses, purchase of arms and ammunitions, etc. +·43 Total ... +1·68
Other heads ...	184·43	84·61	·18	.....	.....
Deduct.—Expenditure met from Reserves.	8·31	5·01	...	3·30	Less drawings from the Petrol Tax Revenue.
Total ...	354·19	362·08	9·87	1·98	

Net increase ... 7·89 lakhs.

36. The departmental grants are generally not more than those allowed in the current year. Increases appear however under some heads and are large under Interest, Pensions and Army. Important variations will now be referred to.

Land Revenue.

The transactions connected with the Record of Rights scheme which were being shown in the previous Budgets under this head were transferred to a Deposit head in the accounts for 1931-32 and the same arrangement is continued.

It is proposed to extend the scheme to eight more Taluks during the ensuing year and with these the scheme will have been introduced in 47 Taluks.

Interest.

The increase under "9 Interest" is chiefly due to the increase in the amount of interest payable on Savings Bank Fixed Deposits and on the normal increased balance at the credit of State Life Insurance Fund. As explained in para 29 *supra*, several measures have been adopted to reduce Interest charges.

Palace.

The gracious contribution from His Highness' Privy Purse and from the Members of the Ruling Family in aid of the State's finances, aggregating Rs. 1·31 lakhs, provided in the current year's budget, has been taken into account in the Budget for the next year also.

General Administration.

A sum of Rs. 35,000 has been provided under "General Administration" towards expenditure connected with the Joint Parliamentary Select Committee.

Scientific, etc. Depts.

The Census operations having been closed, the provision on this account does not appear in the Budget for 1933-34.

Pensions.

Increased provision has been made under "15 Pensions and Allowances" based on the existing sanctions.

Stationery and Printing.

Under "Stationery and Printing," increased provision has been made for the purchase of printing paper, stationery, types and materials, as the existing reduced provision is found to be insufficient.

A provision of Rs. 20,000 has been included for the purpose of replacing some of the old and obsolete machinery in the Government Press.

The provision on account of the establishment of the Government Central Book Depôt which was being made under "26. Education" in the previous Budgets is included under this head in the next year's Budget, as the Book Depôt has now been transferred to the control of the Superintendent, Government Printing.

Jails.

The decrease under "19. Jails" is chiefly due to the conversion of the Mysore Jail into a Sub Jail.

Police.

Under "20. Police" enhanced provision has been made for Travelling Allowance, Rewards, purchase of Arms and Ammunition and other items.

Public Works.

In the present financial condition, the Public Works Grant for the next year has to be on a restricted scale and is fixed at Rs. 28·95 lakhs as detailed below against Rs. 30 lakhs provided in the current year's Budget and Rs. 26·40 lakhs spent during 1931-32.

[In lakhs of rupees.

Heads	Accounts 1931-32	Budget 1932-33	Revised 1932-33	Budget 1933-34
	Rs.	Rs.	Rs.	Rs.
23. Irrigation Works ...	10·56	12·50	11·80	11·95
24. Civil Works ...	5·38	6·00	6·11	6·86
24. A. Communications ...	10·46	11·50	14·78	10·14
Total ...	26·40	30·00	32·69	28·95

The increase under Civil Works is due to the special allotment of Rs. 50,000 for Police buildings. The grant under "24A. Communications" for 1933-34 has been curtailed by Rs. 1·36 lakhs as an extra allotment of over Rs. 3 lakhs has been sanctioned during the current year from the Petrol tax revenue received from the Government of India during the year.

Education.

The grant under 'Education' for 1933-34 is fixed at Rs. 49·36 lakhs against Rs. 48·80 lakhs and Rs. 48·23 lakhs provided in the Budget and Revised respectively for the current year and against Rs. 47·82 lakhs spent during 1931-32. The grant to the Mysore University has been fixed at Rs. 9·25 lakhs instead of at Rs. 9·50 lakhs sanctioned for the current year. Enhanced grant for buildings mainly accounts for the increase in the provision for 1933-34.

Grants for Public Improvements.

The provision in the next year's Budget generally follows the current year's provision.

Army.

The expenditure under 31. "Army" since 1929-30 is given below:—

[In lakhs of rupees.

1929–30 ...	... Accounts ...	... 18·49
1930–31	,,	17·13
1931–32	,,	15·15
1932–33 ...	... Budget ...	... 14·11
1932–33 ...	... Revised ...	... 13·63
1933–34 ...	... Budget ...	... 15·31

The Military works expenditure which stood at over one lakh prior to 1931-32 was less than half a lakh during 1931-32 and 1932-33. The expansion of the Infantry requires the provision of additional buildings and a grant of Rs. one lakh has therefore been provided for Military Works during 1933-34. Provision has also been included for (1) the organisation of two Platoons (Rs. 25,000), (2) the purchase of 32 Remounts (Rs. 22,400), (3) one motor lorry (Rs. 7,600) and (4) Arms and Ammunitions (Rs. 22,000). These account for the large increase as compared with both the Budget and Revised for 1932-33.

37. The deficit of Rs. 18·45 lakhs shown in the Budget for the next year has been calculated after setting apart the full

contribution of Rs. 18·78 lakhs to the Loan Sinking Fund and also keeping outside the Revenue account a sum of Rs. 5·04 lakhs received on account of interest on the investments pertaining to the Sterling Loan Sinking Fund though it is really an item of revenue. If allowance is made for these items, it will be seen that the incomings are more than the outgoings in the Revenue Account.

Capital outlay.

38. The Capital programme for the next year is limited to Rs. 30·03 lakhs as detailed below against Rs. 50·96 lakhs provided in the Revised, the large decrease being due to the completion of the New Bangalore Water Works and the slowing down of Irwin Canal Works.

[In lakhs of rupees.

37.	*Railways.*—			12·00
	OPEN LINES.			
	(*a*) Railways worked by M. & S. M. Railway Company.	5·00		
	(*b*) Railways worked by Government ...	5·00		
	LINES UNDER CONSTRUCTION —			
	Arasalu-Anandapuram Railway construction	2·00		
	Total ...	12·00		
38.	K. R. S. Hydro-Electric and Irrigation Works		...	15·59
	Hydro-Electric Works	6·59		
	Irrigation Works	9.00		
	Total ...	15·59		
39.	Industrial and other Works ...	...	...	1·44
	Sandal Oil Factory ...	·05		
	New Sri Chamarajendra Water Works.	·49		
	Porcelain Factory	·30		
	Silk Weaving Factory	·30		
	Soap Factory	·30		
	Total ..	1·44		
40.	Iron Works	...	...	1·00
		Total	...	30·03

Depreciation Fund Works.

39. A grant of Rs. 17·58 lakhs as per details given below has been made for Depreciation Fund Works :—

[In lakhs of rupees.

	Budget. 1933–34
Electrical Department	11·89
Railway do	5·00
K. G. F. Water Works	·15
Sandal Oil Factory	·54
Total ...	17·58

The increase of grant to the Electrical Department is due to the starting of the following urgent works connected with the VIII Installation :—

(1) Installation of 9,000 H. P. unit Turbine to replace three pelton wheel machines, etc., at Sivasamudram ... Rs. 4·20 lakhs.
(2) Remodelling S1, S2, K1, and K2 lines, etc. ... 3·97 „

Ways and Means.

40. An abstract of the ways and means position during the current and next years compared with the accounts for the last six years is given in the following table :—

[In lakhs of rupees.

Heads	Accounts						Revised	Budget
	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34
RECEIPTS.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Surplus ...	..	·41	·56	·06	...	...	...	...
Interest on Mysore Railway Loan Sinking Fund Investments.	5·01	5·01	5·01	5·01	5·01	5·10	5·04	5·04
Capital not charged to revenue (Contribution by District Boards for construction of railways.)	3·52	— 48	·09	0·26	15·99	1·18	·35	·02
Commutation of Pensions (Net) ..	...	...	...	...	...	·20	·51	·51
Debt ...	...	3·67	...	...	323·87	...	...	...
Unfunded debt (*viz.*, Savings Bank deposits, etc.) (Net).	22·09	41·44	52·48	46·32	...	36·96	81·77	45·00
Local and other funds (Net) ...	...	...	...	...	...	6·64	3·65	1·55
Investments (Net) ...	...	2·78	...	32·05	...	95·43	...	...
Reserve funds (Net) ...	29·39	27·94	35·09	9·88	..	29 80	25·18	14·55
Other heads ...	23·44	7·74	16·05	3·99	176·84	10·07	4·44	2·40
Total ...	83·45	88·51	109·28	96·57	521·71	183·88	120·94	69·07

Heads	Accounts						Revised	Budget
	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34
DISBURSEMENTS.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deficit	8·71	...	...	...	61·94	18·57	21·03	18·45
Capital outlay not charged to Revenue.	28·49	68·51	-3·02*	80·22	92·90	65·50	50·96	30·03
Extraordinary expenditure ...	...	...	89·83	...	...	...	...	...
Commutation of Pensions (Net) ...	...	1·62	2·90	1·08	0·43	...	...	...
Investment accounts (Net) ...	31·65	...	18·99	...	115·57	...	43·55	4·80
Debt (Net)	...	...	...	·08	...	94·26	1·43	9·22
Unfunded debt (Net)	...	...	...	...	88·16	...	...	...
Local and other funds (Net) ...	5·65	11·57	1·14	9·78	·4·58	...	...	...
Other heads	15·04	9·40	16·81	11·42	158·20	28·95	1·08	12·28
Total Disbursements	89·54	91·10	126·65	102·59	471·78	207·28	118·05	74·78
Net Outgoings— or Incomings+ ...	—6·09	—2·59	-17·37	-6·01	+49·93	—23·40	+2·89	—5·71
Opening Balance	88·58	82·49	79·90	62·53	56·52	106·45	83·05	85·94
Closing Balance	82·49	79·90	62·53	56·52	106·45	83·05	85·94	80·23

*The minus figure is due to the writing-off of capital outlay of the Iron Works as per G. O. No. D. 1346-7—I. W. 14-27-6, dated 11th July 1929.

The 5½ per cent conversion loan of 1919-20 has been notified for discharge on 1st July 1933 and provision therefor has been made in the Ways and Means Estimate.

Assets and Liabilities.

41. The usual statement showing the Assets and Liabilities of the State as on 1st July 1932 and as they are expected to stand on 1st July 1933 and 1st July 1934 according to the Revised Estimates of 1932-33 and the Budget of 1933-34, respectively, is attached to the Memorandum. (*Vide* Annexure I.)

42. The expenditure on works not charged to Revenue to end of June 1934 will amount to Rs. 15,44 lakhs. The income anticipated from these works is Rs. 51·84 lakhs. The net interest and sinking fund charges aggregate Rs. 50·16 lakhs (*vide* Annexure II). The State is realising annually a sum of Rs. 5·04 lakhs as the interest on the accumulated Sterling Loan Sinking Fund, which is being appropriated towards capital expenditure.

43. The statement (Annexure I) does not show all the assets of Government in the sense in which the term is used in commercial undertakings. Government have valuable assets in the shape of land, forests, buildings—residential and non-residential—workshops, factories, stock and stores, irrigation works constructed out of revenue, etc., which a commercial firm would include in the statement of assets, but which it is not considered necessary to incorporate in the statement. It is intended only to give a general idea as to (i) how far the various items of assets and liabilities have been affected as a result of the year's transactions, (ii) the extent to which the State is in debt as compared with its resources, (iii) how far the debt is covered by assets of a capital nature, and (iv) whether the State has sufficient cash balance to carry on the administration smoothly throughout the year. It may be mentioned that the capital value of residential buildings under the administrative control of the Public Works Department was Rs. 27·05 lakhs at the end of June 1932.

44. The Public Loan liabilities of the State including the Shimoga District Board Railway Loan are estimated to stand at Rs. 737·51 lakhs at end of 1933-34 as per details given below :—

	In lakhs of Rupees
6½ per cent Loan of 1940	119·36
6½ per cent Loan of 1941-51	30·50
5 per cent New Loan of 1955	163·44
5½ per cent New Loan of 1938	260·12
Shimoga District Board Railway Debenture Loan ...	3·47
Total ...	576·89

	[In lakhs of rupees.
M. & S. M. Railway Sterling 4 per cent Debenture not redeemable till 1936	160·62
Total ..	737·51

45. The Railway Sterling Loan Sinking Fund built up by the State amounts to Rs. 124·65 lakhs. The State has also purchased Southern Mahratta 4 per cent Debenture Stock of the face value of about Rs. 61·92 lakhs and in view of this, the sterling debt, which, it may be added, is redeemable only at the option of the Government, is fully covered.

46. As regards the Rupee Loans, Sinking Funds for repayment of the 6¼ and 6½ per cent bonds issued in 1920-21 and 1921-22 and the 5½ and 5 per cent loans floated in 1930-31 have been formed and the fund has amounted to Rs. 138·15 lakhs.

47. Taking all liquid resources into account, the net indebtedness of the State is 4·75 crores of rupees. For the extinguishment of the debt, provision is being made in the revenue account.

BANGALORE,
22nd May 1933.

S. SHAMANNA,
Secretary to Government,
Financial Department.